

WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 2.19.2010

MESSAGING RESOURCES/POLLING UPDATE

Where Are The Jobs? One year ago, the Democrats rushed through a \$862 billion so-called "stimulus" bill. At the time, Democrats promised that the bill would create jobs "immediately" and unemployment would not rise above 8 percent. The end result of the Democrats' stimulus bills been record high unemployment rate and wasteful government spending. Record budget deficits, along with political uncertainty over health care reform, cap and trade legislation, expiring tax cuts, and increased government intervention across all sectors of the economy is also having a chilling impact on economic activity and job creation. Since the Democrats took control of Congress in 2007, more than 7.5 million jobs have been lost. Republicans have offered better solutions that will create jobs and restore confidence in our economy.

We Need An Exit Strategy From The Unsustainable Obama Deficits. At a time when many families across America have been forced to do more with less, the Democrats continue to engage in unsustainable spending. Americans are less financially secure today because of the staggering budget deficits expected over the next ten years. The President's FY 2011 budget will more than double the national debt in 5 years and it calls for a \$1.6 trillion deficit in fiscal year 2010. In addition to adding \$14 trillion to the national debt, the President's budget fails to account for approximately \$5 trillion in mortgage debt that the government explicitly assumed with the takeover of Fannie Mae and Freddie Mac. The best economic stimulus that Congress can provide the economy is to stop the growth of spending and suspend legislative efforts to increase government control of the health care, energy and financial markets.

The Federal Reserve Should Not Pick Winners And Losers, Must End Policy Of "Too Big To Fail." The Federal Reserve has taken extraordinary measures in responding to the financial crisis, but those measures have taken the Central Bank far afield from its core mission of conducting monetary policy. The Federal Reserve's balance sheet has grown dramatically from \$830 billion in August 2007 to \$2.2. trillion today. The policy of "too big to fail" adopted by the Fed exacerbated the crisis by creating the expectation of bailouts and leading to increased moral hazard by financial institutions. Additionally, market participants have now become dependent on many of the credit and liquidity programs the Federal Reserve adopted to respond to the crisis. The Federal Reserve should not be given new missions to oversee the financial markets. Instead, the central bank should focus on its core duty of conducting monetary policy.

ON THE HORIZON

Tuesday, February 23: The Full Committee will convene for a hearing entitled "Prospects for Employment Growth: Is Additional Stimulus Needed?" at 2 pm in room 2128 Rayburn.

Wednesday, February 24: The Full Committee will convene to receive the Federal Reserve semi-annual monetary policy report at 10 am in room 2128 Rayburn.

Thursday, February 25: The Full Committee will meet for a hearing on compensation in the financial industry at 2 pm in room 2128 Rayburn.

Friday, February 26: The Full Committee and the Small Business Committee will convene a joint hearing entitled "Condition of Small Business and Commercial Real Estate Lending in Local Markets" at 10 am in room 2128 Rayburn.

WEEKEND MUST-READS

Washington Post: "Tougher financial regulations not coming fast or easy for SEC's Mary Schapiro ... As Mary Schapiro took the reins of the Securities and Exchange Commission last year, she faced a torrent of complaints from lawmakers and bankers that Wall Street short sellers had driven down bank stocks during the financial crisis, contributing to the fear that gripped the nation."

NY Times: "How to Watch the Banks ... SIXTEEN months ago, our financial system teetered on the brink of collapse. The Treasury, the Federal Reserve and the Federal Deposit Insurance Corporation took actions that were unpopular and previously unthinkable - but absolutely necessary to stave off an economic catastrophe in which unemployment could have exceeded the 25 percent level of the Great Depression."

Wall Street Journal: "The Fed's Newest Voice on the Economy and Banks ... The Federal Reserve's newest official sounded a bearish note on the economy today and offered a novel case for preserving the Fed's role as a bank regulator."

The Hill: "Agency may be public option of financial regulatory reform ... Democrats' push for a new consumer agency could derail an overhaul of the nation's financial regulatory system, much like the debate over the public option stymied healthcare reform."

Bloomberg: "Fed Officials Set Goal of 'Eventual' Exit From Housing Finance ... Federal Reserve officials set a long-term goal to keep only U.S. government securities in their portfolio as they debated how and when to pull back on the most aggressive monetary policy in U.S. history."

CARTOON OF THE WEEK

(Washington Post)